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February 25, 2014

The Honorable Joe Pitts, Chairman
Subcommittee on Health
Committee on Energy and Commerce
U.S. House of Representatives
420 Cannon House Office Building
Washington, D.C. 20515

The Honorable Frank Pallone, Jr.,
Ranking Member
Subcommittee on Health
Committee on Energy and Commerce
U.S. House of Representatives
237 Cannon House Office Building
Washington, D.C. 20515

Re: Contract Year 2015 Policy and Technical Changes to the Medicare Advantage and the Medicare Prescription Drug Benefit Programs

Dear Chairman Pitts and Ranking Member Pallone,

On behalf of the Independent Specialty Pharmacy Coalition ("ISPC") we are pleased to submit the following statement concerning the "Contract Year 2015 Policy and Technical Changes to the Medicare Advantage and the Medicare Prescription Drug Benefit Programs" ("proposed rule") recently proposed by the Centers for Medicare & Medicaid Services ("CMS"). The ISPC commends CMS for taking a stand against over restrictive prescription drug plan networks, improving transparency, and ensuring lower costs and higher quality of care for Medicare beneficiaries. We ask this letter be submitted into the record for the February 26, 2014 hearing on the proposed rule by the Subcommittee on Health to the U.S. Representatives Committee on Energy and Commerce.

The ISPC is a coalition made up of a number of leading specialty pharmacy across the country formed in 2010 with the intent of providing independent specialty pharmacies with a voice in regulatory and legislative matters. We serve thousands of specialty patients who value the service, counseling and assistance they receive from community specialty pharmacies.

The Nature of Specialty Pharmacy

Specialty pharmacies provide treatments for our nation's most vulnerable patient populations suffering from chronic, complex conditions such as hemophilia, Crohn's Disease, hepatitis C, infertility, HIV/AIDS, and many forms of cancer. The specialty treatment for these conditions are generally very expensive, and often require special handling and control as well as complex

administration, as is the case with injectables and infusions. Given the dynamic nature of many of these disease states, intensive and consistent monitoring is vital to effective patient care in this area.

Independent specialty pharmacies provide a vital level of clinical pharmacy services to the hundreds of thousands of Medicare beneficiaries that depend on specialty treatments. We are not mere drug dispensaries, but instead play an active role in providing continuity of patient care to ensure that costs are minimized and health outcomes improve. We work with clinicians to set up treatment regimens, coordinate care, and determine the effectiveness of treatments. We educate patients on effective utilization, how to inject and administer medications, and how to detect adverse side effects. In many situations, specialty pharmacies serve as the critical link between doctors and patients in monitoring therapy, including side effects, medication combinations, and ineffective treatments. The services provided by specialty pharmacies support the most cost-effective use of these expensive treatments and help to keep these patients healthy and out of hospitals. Independent specialty pharmacies are hugely valuable, therefore, for protecting these beneficiaries' wellbeing and containing health care costs to the Medicare program.

Restricted Pharmacy Networks

As representatives of independent specialty pharmacies, we have long supported increased access for beneficiaries. When Congress enacted Medicare Part D, the goal was to preserve patient access and choice by permitting any willing pharmacy to participate in a prescription drug plan ("PDP") network so long as it met the plan's conditions. Unfortunately, restricted Part D networks have become common place, particularly those run by pharmacy benefit managers that own their mail order pharmacy, severely limiting the choice beneficiaries have in access to pharmacies. Restricted networks are even more problematic as specialty drug spending is increasingly expensive and is quickly becoming the leading drug spend for Medicare prescription drug plans, vastly outpacing spending on other brands and generics.

Restricted networks can harm consumers. These restrictive networks deprive beneficiaries of crucial services. Beneficiaries are often forced to abandon relationships with their preferred pharmacy, for a preselected retail or mail order pharmacy, which often lacks the specialty services provided by independent specialty pharmacies.

CMS recognizes in its proposed rule that the utilization of preferred networks should reflect a lower total cost for prescription drugs. However this is not what it has found. Rather CMS states that few PDPs "have actually offered little or no savings in aggregate in their preferred pharmacy pricing, particularly in mail-order claims for generic drugs." Therefore, CMS now proposes to eliminate these restrictive networks in favor of preferred cost sharing open to any willing pharmacy.

For these reasons, we fully support CMS's proposals to allow any willing pharmacy to participate in new preferred cost sharing networks.¹ If applied, these new networks will ensure increased pharmacy participation and therefore greater patient access while not increasing costs for plans, Medicare, or beneficiaries.

¹ We offer no opinion at the moment on other provisions offered by CMS in the proposed rule.

Please contact us for any questions or further information.

Sincerely,

A handwritten signature in cursive script that reads "David A. Balto". The ink is dark and the signature is fluid, with a large initial 'D' and 'B'.

David A. Balto